

Executive Summary

- Q3 real GDP accelerated to 6.2% rate year-on-year; we forecast economic growth to pick up further during the last quarter of 2013 and to reach 6.8% for the full year in 2014
- Population continued its double-digit growth in December; we forecast an average growth in the resident population of 10.9% for 2013 as major government infrastructure projects get underway
- Rental inflation fell to its lowest level in seven months (5.6%) in November, in line with our expectations for slower increases in rental prices

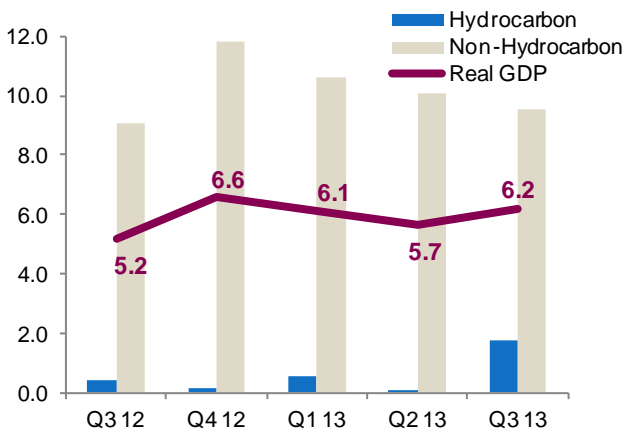
Qatar's economic growth accelerated to a buoyant 6.2% pace in Q3 2013

Qatar's economic growth accelerated to a 6.2% pace in Q3 2013 compared with Q3 2012 spurred by the non-hydrocarbon sector (up 9.5% year-on-year), driven in particular by strong growth in services.

QNB Group expects real GDP growth to pick up further during 2014 to 6.8% as the implementation of large infrastructure projects accelerates and the fast-growing population boosts domestic demand. Large infrastructure projects, like the Lusail real estate development, the new Doha Port, the Hamad International Airport and the Doha Metro Rail project will support growth going forward. Thus, the key driver of growth will therefore continue to be the non-hydrocarbon sector which is expected to grow from 42% of nominal GDP in 2012 to more than 50% by 2015.

Diversification into non-hydrocarbon continues

(% change year-on-year, Q3 2012 – Q3 2013)

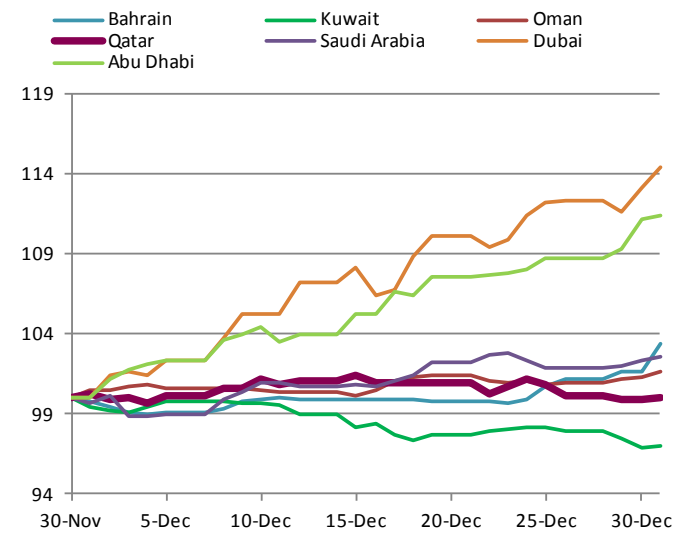


Sources: Ministry of Development Planning and Statistics (MDPS) and QNB Group analysis

QNB Economics Weekly Commentary

- [Qatar's Economic Growth is Expected to Continue Accelerating](#)
- [Where the Global Economy Is Heading in 2014](#)
- [Budget Deal Does Not Change Long-Term US Fiscal Outlook](#)
- [The Risk of Deflation in the US and the Eurozone May Require More Expansionary Monetary Policy](#)

Stockmarket Indices (rebased with 31 Nov 2013 = 100)



The GCC markets posted positive returns during December 2013, in line with strong performance in global markets as investors became more positive about the outlook for the global economy. Dubai's benchmark index (DFMGI) was the top performer, surging by 14.4% month-on-month. The second best performing index was Abu Dhabi's benchmark index (ADSMI) rising by 11.4% month-on-month. It is worth noting that DFMGI and ADSMI were the best performing regional indices in 2013 with a gain of 107.7% and 63.1%, respectively.

After a strong performance in November 2013 (+5.8% month-on-month), the Qatar Exchange (QE) Index exhibited flattish performance in December (+0.4% month-on-month).

Indonesia Economic Insight Report 2013



QNB Group recently published the Indonesia Economic Insight 2013, providing an overview of Indonesia's economy, with historical data, in-depth analysis and forecasts. The report is available on the [QNB website](#) along with the recently published [Qatar Economic Insight 2013](#)

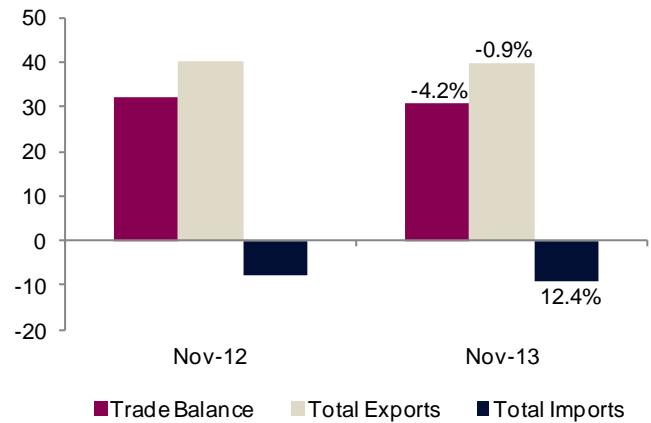
Foreign merchandise trade surplus was QAR30.9bn in November 2013

Qatar's merchandise trade balance showed a surplus of QAR30.9bn in November 2013 (4.2% decrease year-on-year). The surplus narrowed as compared with the same period in 2012 primarily owing to lower export receipts and higher imports.

Total exports in November stood at QAR39.8bn and imports at QAR8.9bn. Japan topped the export destination in November and accounted for 29% of Qatar's exports, followed by South Korea (17%) and India (9%). Among Qatar's major import items in September were light vessels, motor cars and other passenger vehicles. The USA was the largest exporter to Qatar in November (11%), followed by China (9%) and Germany (6%).

Trade balance remains in surplus despite lower exports

Trade Balance (QAR Billions, and % change yoy)



Sources: MDPS and QNB Group analysis

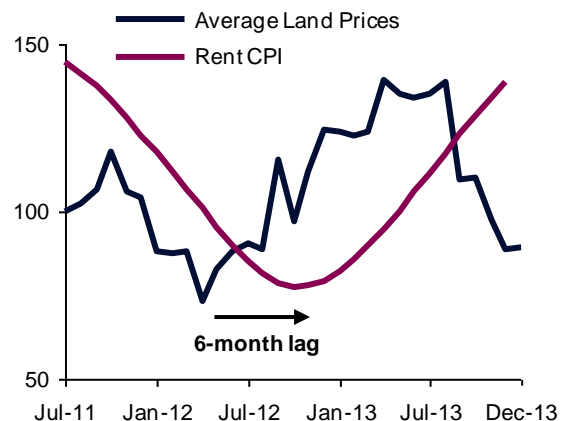
Falling land prices in Qatar should keep a lid on rental inflation going forward

QNB Group has analyzed data purely on land transactions in Qatar, based on weekly statistics published by the Ministry of Justice. The data indicate that the cost of land has fallen in the last six months.

According to QNB Group, the fundamental driver for real estate prices is the cost of land. If land prices rise, the price for villas, apartments and other real estate prices are also likely to go up. The drop in land prices since July 2013 is a leading indicator for rental inflation six months ahead. The increase in rents is therefore likely to slow over the next six months. There is already evidence of this as annual rental inflation has slowed to 5.6% in November 2013 from 6.7% in August 2013.

Qatar land prices and rental inflation

(Indices, 12-month rolling averages, Jul 2011 – Dec 2013)



Sources: MDPS and QNB Group analysis

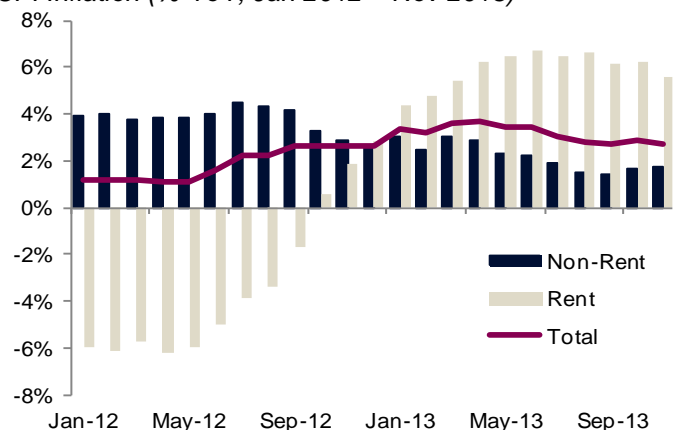
Slowing rental prices is keeping overall headline inflation in check

The slowdown in rental inflation (up 5.6% year-on-year, its slowest pace in seven months) has helped keep overall CPI down at 2.8% year-on-year in November. Food, beverage and tobacco prices (13% of the overall inflation weight), rose 2.6% year-on-year, but was down 0.7% month-on-month.

We expect the further pickup in population growth to drive consumer demand, leading to a rise in non-rent inflation. Indeed, planned heavy investments in major projects in 2014 are likely to accelerate economic growth, which could lead to supply bottlenecks pushing up prices. Indeed, the strong inflows of expatriates needed to work on projects is likely to increase demand pressures throughout the domestic economy.

Headline inflation stabilized at 2.8% in November 2013

CPI Inflation (% YoY, Jan 2012 – Nov 2013)



Sources: Qatar Central Bank (QCB), MDPS and QNB Group analysis

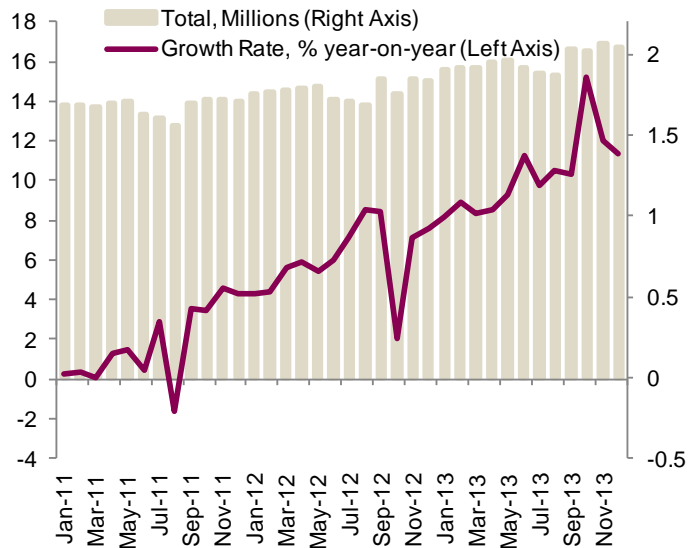
Qatar's population continues to surge

The number of people in Qatar grew by 11.4% year-on-year in December 2013 to reach 2.05m. Population growth in recent months has been driven up by the large ramp up in infrastructure spending in preparation for the 2022 FIFA World Cup.

QNB Group forecasts an average growth in the resident population of 10.9% for 2013. The larger population will lead to higher economic growth by boosting aggregate demand and investment in housing and services.

Population growth continues to remain in double digits in the last month of 2013

People in Qatar



Sources: MDPS and QNB Group analysis

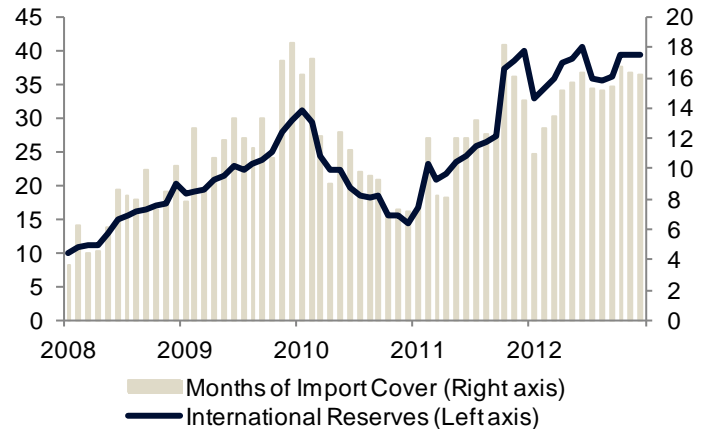
International reserves rose to their highest level in six months (USD39.6bn) in November 2013

Qatar's international reserves have risen by USD6.4bn since end-2012 to stand at USD39.6bn in November 2013. As a result, import cover stood at 16.2 months, well above the IMF-recommended level of 3 months for pegged exchange rates.

Qatar's international reserves have been steadily rising over the years on large current-account surpluses. Going forward, QNB Group expects international reserves to continue rising gradually for the remainder of this year and in 2014.

International reserves edge higher in November 2013

(USD billions, left axis; Months of import cover, right axis)



Sources: QCB and QNB Group analysis

Economic News

- **MDPS: Qatar forex reserves strong enough to cover for 6-month imports** – According to a report released by the Ministry of Development Planning and Statistics (MDPS), Qatar’s foreign exchange cover (which includes imports of goods and services) is likely to remain “strong”, equivalent to around six months of total imports. The MDPS however found the country’s external current account surplus to drift down in 2013 and 2014, but remain sizeable at 26.6% and 22.7% of GDP in 2013 and 2014, respectively. The report said an expected decline in hydrocarbon export revenue, coupled with higher imports on the back of stronger domestic demand, will narrow the surplus. Since a bulk of these surpluses are recycled in overseas investments funded by export earnings, the overall surplus on the balance of payments will be much smaller than the current account surplus and is likely to fall to USD5.5bn in 2013 and to USD1.5bn in 2014. Qatar posted a trade surplus of QAR200.3bn in 1H2013, equivalent to 54.7% of nominal GDP. In contrast to the sharp import growth in 2011 and 1H2012, Qatar Central Bank’s estimate of imports fell in 2H2012 and subsequently fell further by 9.4% in 1H2013. (Gulf-Times.com)
- **Ashghal to construct iconic bridges in Doha** – The Public Works Authority (Ashghal) announced that the work on a 12-km long ambitious infrastructure project comprising three iconic bridges interconnected by eight-km long subsea tunnels will begin in 2015 and is expected to be completed by 2021, before the FIFA World Cup. The project, called Sharq Crossing, will connect Doha’s new Hamad International Airport, Katara Cultural Village in the north and the downtown central business district of West Bay. (GulfBase.com)
- **Doha metro stations set for completion by 2018** – The construction work on major underground stations of the Doha Metro Project, which are progressing as scheduled, are expected to be accomplished by 2018. Saad Ahmed al-Muhannadi, CEO of Qatar Rail Company said that work on the underground projects is moving along as scheduled and the Lusail Light Rail Transit (LRT) has reached an advanced stage. The Lusail LRT underground station is almost complete with regard to civil engineering works. Other architectural and technical works would be held in another stage in connection with other stations. (Gulf-Times.com)
- **Qatar to maintain LNG lead despite US shale gas revolution** – The development of US shale gas extraction to tap previously inaccessible reserves, the so called US shale gas revolution, is not proving to be a game changer for Qatar, according to QNB Group. Fracking techniques, namely the process of forcing water, chemicals and sand at high pressure into shale rock deposits to extract high volumes of gas have been refined only over the last decade to make US shale gas commercially viable. This has virtually eliminated the need for the US to import liquefied natural gas (LNG), including from Qatar. The drop in demand from the US, however, has been replaced by strong demand from Asia, particularly from Japan after the Fukushima nuclear accident in March 2011. As a result, QNB Group expects global LNG demand to remain strong over the next decade. Qatar is therefore unlikely to lose its leading role in the global energy market for years to come. (QNB, Gulf-Times.com)
- **AREDC: Qatar residential ROI leads Middle East** – According to a report by Al Asmakh Real Estate Development Company (AREDC), Qatar’s residential market offers 6-8% return on investment (ROI), which is one of the highest in the Middle East. AREDC said residential property is a prominent segment in the Qatari realty market and owing to rising demand, well maintained units get higher returns than those that are not maintained well. The segment is slated to see higher rents and sales in the coming quarters. The report also highlighted that apartment prices rose 5% QoQ in 3Q2013. (Gulf-Times.com)
- **QCCI: Qatar private sector to establish a construction firm** – The Qatar Chamber of Commerce and Industry’s (QCCI) Deputy Chairman Mohammed Al Kuwari said the private sector in Qatar is planning to establish a company with QAR2bn capital to build industrial plants and related projects. The ownership of this new company will be confined to Qatari businessmen first, before being listed on the Qatar Stock Exchange. He added that the chamber has already obtained government approval for the new venture, which will be announced within two months. (Zawya)

Private Sector News

Finance

- MPHC offers 26% stake to raise QAR3.2bn** – Mesaieed Petrochemical Holding Company (MPHC) – a wholly-owned subsidiary of Qatar Petroleum (QP) – is offering a 26% stake to the public to raise as much as QAR3.2bn. The IPO, which will hit the market on December 31 and run until January 21, will eventually see MPHC listed on the Qatar Exchange by February 2014. The maiden offer is being undertaken as part of QP's 10-year investment and savings program intended to encourage long-term investments and personal savings among its citizens. The IPO is reserved for Qatari private individuals and excludes Qatari private institutions or corporations. However, Qatar Foundation and the General Retirement and Social Insurance Authority are exceptions. (Gulf-Times.com)
- QEWS unveils near launch of commercial activities of Nebras Power** – Qatar Electricity and Water Company's (QEWS) has unveiled the near launch of commercial activities of Nebras Power Company to invest internationally with an initial capital of USD1bn. (QE)
- Qatar Steel International to build iron and steel complex in Bellara** – Qatar Steel International and Algerian company Sider have signed a partnership agreement for the construction of an iron and steel complex in Bellara, Jijel, 359 kilometers east of Algiers. The USD2bn project is expected to be completed in three years. (Gulf-Times.com)
- Ooredoo rolls out commercial 3G network in Algeria** – Ooredoo has launched the first commercial 3G network in Algeria. Within hours of receiving the final regulatory approval, Ooredoo Algeria has launched its commercial 3G services for millions of customers in 10 major cities across the country. (Peninsula Qatar)
- Qatari banking sector's monthly update for November 2013** – Loans declined by 0.1% month-over-month (MoM) but are up 11.9% year to date (YTD). Deposits also dipped by 0.2% MoM (+16.4% YTD) in the month of November 2013. The banking sector's loan-to-deposit ratio (LDR) remained at 107% at the end of November 2013 vs. 107% in October 2013. Public sector deposits retreated by 5.0% MoM (+28.1% YTD), while private sector deposits gained by 3.7% MoM (+15.1% YTD). On the other hand, the overall loan book exhibited flattish performance in the month of November. Total domestic public sector loans declined by 1.1% MoM after a robust performance in October. On a YTD basis, public sector loans are up 8.8%. (QCB)
- QCB framing rules for ETF listing** – The Qatar Central Bank (QCB) said it is framing rules to list exchange traded funds (ETFs) on the local bourse. The rules are being developed in close coordination with the Qatar Financial Markets Authority (QFMA), the regulatory body for Qatar Exchange. (Peninsula Qatar)
- IQCD: Plans for new LDPE facility in early stages** – Industries Qatar (IQCD) confirmed that contrary to reports in sections of the media, plans for a new LDPE facility in the group's petrochemical joint venture, Qatar Petrochemical Company (Qapco), are still in a very early stage of assessment and that the project is subject to material change, or cancellation. (IQCD Press Release)
- QFMA receives requests for listings and IPOs** – The Qatar Financial Markets Authority (QFMA) said it has received two requests for new listings and five requests for launching IPOs. (Peninsula Qatar)
- QCB, QFCRA, QFMA jointly launch strategic plan for Qatar's financial sector regulation** – The Qatar Central Bank (QCB), the Qatar Financial Centre Regulatory Authority (QFCRA) and the Qatar Financial Markets Authority (QFMA) have jointly launched a strategic plan for the future of financial sector regulation in Qatar. The plan will establish a framework for regulating Qatar's financial sector by laying a roadmap of strategic priorities for the 2014-2016 period. The plan aims to develop a consistent risk-based micro-prudential framework, expand oversight, strengthen the financial market infrastructure, enhance consumer and investor protection, promote regulatory cooperation and build human capital. This strategic plan will position Qatar as a leader in the regional financial sector and will support Qatar's ambition to be a global financial center. (QCB)
- QAR1.8bn Helium 2 Plant starts up at Ras Laffan** – Qatar has become the world's largest exporter and second-largest producer of helium with the start up of the QAR1.8bn Helium 2 Plant at Ras Laffan with a design capacity of 1.3bn standard cubic feet a year. The plant, which is the world's largest helium refining facility, co-owned by Qatargas and RasGas, will be operated by the latter. (Gulf-Times.com)
- QP signs MoU to construct butadiene extraction, elastomer complex** – Qatar Petroleum (QP) has entered into a MoU with Zeon Corporation and Mitsui and Co. Ltd for the construction of its butadiene extraction and elastomer complex in Qatar's industrial city of Ras Laffan. This plant will produce rubber from chemicals made at the planned petrochemical complex. (Bloomberg)
- Lusail City's 80% of properties sold** – Qatari Diar Real Estate Investment Company said that 80% of real estate in the new Lusail City has been sold. (Bloomberg)
- Ooredoo Algeria plans to float 10-15% stake on Algiers Bourse in 2014** – Ooredoo Algeria's CEO said the company is planning to float 10-15% of its stake on the Algiers Bourse in 2014. The company expects a net profit of USD190mn on a turnover of USD1bn in 2013. (Bloomberg)
- QNCD to expand capacity by 7,500 tons per day** – As expected, Qatar National Cement Company (QNCD) has decided to expand its capacity. The company will add another 7,500 tons per day taking its total clinker capacity to ~18,500 tons per day after the expansion.

QNCD plans to sign a contract next month with global company FLSmith in this regard. The company expects to invest QAR1.2bn for completing this facility. The new facility will be operational in 24 months after the signing of the contract (and the start of construction). (Peninsula Qatar)

- **MARK inches closer to acquire IBB** – Masraf Al Rayan (MARK) and Islamic Bank of Britain (IBB) have announced that they have reached an agreement on

the terms of a recommended cash offer by Al Rayan (UK) Limited, a wholly owned subsidiary of MARK for the entire issued and to be issued share capital of IBB. Earlier on September 30, 2013, MARK had offered £24.1mn for the acquisition, with each IBB shareholder entitled to receive 0.53 pence in cash for every IBB share. (Peninsula Qatar)

National Accounts

Nominal GDP (QAR bn)	2009	2010	2011	2012	Q3 13	YoY%	QoQ%
Total	356.0	455.4	624.2	700.3	185.3	6.4%	3.3%
Oil & Gas	159.5	239.7	370.2	404.7	101.1	3.1%	2.0%
Non-Oil	196.5	215.7	254.0	295.6	84.2	10.7%	4.8%
Agriculture and Fishing	0.4	0.5	0.6	0.6	0.2	9.2%	0.4%
Industry	33.6	40.8	56.7	68.9	27.2	4.0%	1.3%
Manufacturing	33.6	40.8	56.7	68.9	17.7	0.5%	1.9%
Electricity, Gas and Water	1.8	2.1	2.4	2.6	0.8	9.2%	10.8%
Construction	25.5	27.5	28.3	31.0	8.5	11.2%	-0.7%
Services	132.1	140.9	162.1	188.1	55.8	14.5%	6.7%
Trade, Restaurants and Hotels	29.8	31.5	35.6	39.5	12.4	14.2%	16.7%
Transport and Communications	16.2	18.1	21.0	23.4	7.0	11.1%	17.6%
Financial and Business Services	58.1	60.3	65.6	71.2	20.7	19.7%	0.2%
Social Services	4.1	4.5	5.0	5.7	1.7	16.5%	2.2%
Government Services	32.1	37.4	46.2	60.9	17.7	12.0%	4.2%
Household Services	1.8	1.9	2.0	2.3	0.7	13.4%	0.7%
Imputed Bank Service Charges	-10.2	-12.7	-13.4	-14.8	-4.4	22.8%	2.8%
Import Duties	3.1	3.8	3.9	4.3	1.1	5.8%	1.5%

Source: MDPS

Real GDP (% change, YoY)	2009	2010	2011	2012	Q2 13	Q3 13	QoQ%
Total	12.0	16.7	13.0	6.2	5.7	6.2	4.3
Oil & Gas	4.5	28.9	15.7	1.7	0.0	1.8	3.5
Non-Oil	17.6	8.6	10.8	10.0	10.1	9.5	4.8
Agriculture and Fishing	-17.0	19.7	5.4	4.5	6.2	7.4	1.6
Industry	6.1	23.4	14.0	4.6	9.0	8.3	0.3
Manufacturing	13.7	17.6	10.4	11.8	6.4	3.1	0.1
Electricity, Gas and Water	-0.4	13.5	7.9	10.5	5.7	6.1	12.6
Construction	6.9	9.5	10.5	10.6	11.4	13.0	-0.4
Services	21.9	6.9	10.3	9.2	11.4	10.4	7.8
Trade, Restaurants and Hotels	15.7	2.5	12.9	7.7	9.4	11.1	16.6
Transport and Communications	22.7	10.2	12.4	12.1	11.2	13.1	16.8
Financial and Business Services	25.8	7.4	6.3	6.7	15.4	10.5	0.7
Social Services	21.5	1.9	3.0	7.9	6.7	6.4	1.9
Government Services	23.6	8.7	13.1	11.5	9.6	9.6	3.1
Household Services	4.3	2.2	0.8	6.0	9.7	10.3	1.2
Imputed Bank Service Charges	1.0	3.3	16.4	8.0	11.6	13.9	2.5
Import Duties	-11.3	17.8	-1.1	13.7	-8.8	4.4	1.3

Source: MDPS

N.B. Data which is new or revised this month is shown in red.

Balance of Payments

Balance of Payments (USD bn)	2009	2010	2011	2012	Q3 13	QoQ%	YoY%
Current Account Balance	6.4	23.8	52.0	61.6	15.1	-6.1%	-17.6%
Trade Balance (Goods)	25.6	53.9	87.4	102.2	26.3	0.5%	-2.9%
Exports	48.0	74.8	114.3	133.0	34.1	0.6%	1.2%
Imports	-22.5	-20.9	-26.9	-30.8	-7.7	0.9%	18.6%
Invisibles	-19.2	-30.1	-35.4	-40.6	-11.3	7.2%	27.4%
Services	-3.9	-5.8	-9.5	-14.0	-4.1	-6.6%	32.4%
Income	-9.4	-12.9	-13.3	-12.1	-3.1	27.5%	13.9%
Transfers	-5.8	-11.4	-12.7	-14.5	-4.0	10.4%	34.5%
Capital & Financial Account Balance	0.6	-10.7	-62.6	-44.5	-11.4	-33%	52%
Capital Account	-1.8	-2.1	-3.6	-6.2	-1.2	13%	20%
Financial Account	2.4	-8.6	-59.0	-38.3	-10.2	-36%	57%
Direct Investment (outwards)	-3.2	-1.9	-6.0	-1.8	-2.9	0%	-492%
Direct Investment (into Qatar)	8.1	4.7	-0.1	0.3	-0.4	-9%	-137%
Portfolio investment (net)	-	-	-	2.8	-4.2	7%	-206%

Sources: QCB, MDPS, UNCTAD; Note: Not all Balance of Payment lines are shown in the table

Top 5 Export Destinations (USD bn)	2009	2010	2011	2012	Q2 13	QoQ%	YoY%
Japan	14.5	19.7	27.4	32.6	8.3	-9.3%	5.0%
Korea	7.6	10.8	18.9	23.2	5.4	-23.0%	-8.4%
India	3.7	5.6	10.3	14.7	3.6	26.6%	-9.0%
European Economic Community (EEC)	4.0	9.1	17.0	12.0	3.1	24.3%	-1.3%
China	1.2	2.2	4.3	7.0	1.7	-12.1%	-0.4%

Top 5 Import Sources (USD bn)	2009	2010	2011	2012	Q2 13	QoQ%	YoY%
European Economic Community (EEC)	8.1	7.2	6.6	7.5	1.9	-11.5%	23.2%
United States	3.1	3.5	3.1	3.9	1.2	-23.6%	151.3%
United Arab Emirates	1.8	2.3	3.0	3.2	0.8	0.0%	0.8%
Saudi Arabia	1.3	1.7	2.2	2.4	0.6	0.0%	0.8%
United Kingdom	1.1	1.4	1.5	1.8	0.4	-23.3%	28.0%

Source: IMF Direction of Trade Statistics - sometimes differ from MDPS

Crude oil (USD / barrel)	2009	2010	2011	2012	Nov-13	MoM%	YoY%
Oil production ('000 bpd)	781.0	733.0	734.0	733.7	719.0	-0.6%	-1.5%
Qatar average price	62.0	77.7	108.4	111.2	109.7	-1.7%	-0.6%
Dukhan	62.6	78.4	109.7	111.8	111.3	-1.7%	-0.4%
Marine	61.6	77.2	107.5	110.6	109.1	-1.7%	-0.7%

Source: OPEC (Direct communications), Reuters

Budget, Population, Money & Prices

Government Budget	2008/09	2009/10	2010/11	2011/12	Q3 13	QoQ%	YoY%
Balance	41.3	47.7	12.3	45.0	55.9		
% of GDP	9.8%	13.4%	2.7%	7.7%	30.2		
Revenue	141.2	169.3	156.1	219.3	115.0	574%	-15.0%
Expenditure	100.0	121.6	143.8	174.4	59.2	42.6%	45.2%

Population (m people in Qatar)	2009	2010	2011	2012	Dec-13	MoM%	YoY%
Total	1.64	1.72	1.73	1.83	2.05	-1.1%	11.4%
Male	1.27	1.30	1.30	1.37	1.53	-0.3%	12.2%
Female	0.37	0.42	0.43	0.46	0.52	-3.5%	9.0%

Source: MDPS; Monthly data based on number of people in Qatar and annual data based on residency

Inflation (% ch, 12mth rolling average YoY)	2009	2010	2011	2012	Nov-13	MoM%	YoY%
Overall (weights shown below)	-4.9	-2.4	1.9	1.9	3.1	0.0	2.8
Food, beverages & tobacco (13.2%)	1.3	2.1	4.3	3.7	2.2	-0.7	2.6
Clothing & footwear (5.8%)	-4.5	-1.3	7.5	2.8	0.2	0.2	0.3
Rents, water & maintenance (32.2%)	-12.0	-12.8	-4.8	-3.3	5.7	0.7	5.6
Furniture, textiles & appliances (8.2%)	-2.0	4.1	2.9	4.9	3.0	-0.2	4.2
Health care (2.0%)	1.7	3.5	2.6	1.5	2.2	0.0	2.1
Transport & communication (20.5%)	-4.4	2.6	6.4	2.2	1.4	-0.2	1.9
Entertainment, leisure & culture (10.9%)	-1.2	2.9	2.0	6.0	7.3	-0.2	4.4
Miscellaneous goods & services (7.2%)	7.3	4.7	5.6	4.8	-1.7	-0.4	-5.0

Source: MDPS

Money Supply (QAR bn)	2009	2010	2011	2012	Nov-13	MoM%	YoY%
Broad money (M2)	215.1	264.7	310.0	381.1	449.1	2.4%	15.6%
M1	53.1	68.3	81.8	90.9	99.8	1.7%	7.5%
Quasi-money	162.0	196.4	228.1	290.1	349.3	2.6%	18.1%

Interest rates (% end period)	2009	2010	2011	2012	Nov-13	MoM bp	YoY bp
QCB deposit	2.00	1.50	0.75	0.75	0.75	0.0	0.0
QCB lending	5.50	5.50	4.50	4.50	4.50	0.0	0.0
Interbank overnight	2.01	1.39	0.74	0.77	0.86	13.7	10.8
Demand deposit	1.99	1.34	0.62	0.65	0.78	11.6	13.8
Overdraft	8.75	8.19	7.42	6.63	6.09	6.6	-77.0
Credit card	20.00	19.92	10.69	9.11	8.53	-5.5	-70.8

Source: QCB

Banking Sector Snapshot : November 2013

Review and Outlook

Loans and deposits growth was flat in the month of November. Loans declined by 0.1% month-over-month (MoM) but are up 11.9% year to date (YTD). Deposits also dipped by 0.2% MoM (+16.4% YTD) in the month of November 2013. *Going forward, we expect activity in the banking sector to pick up in the coming months.*

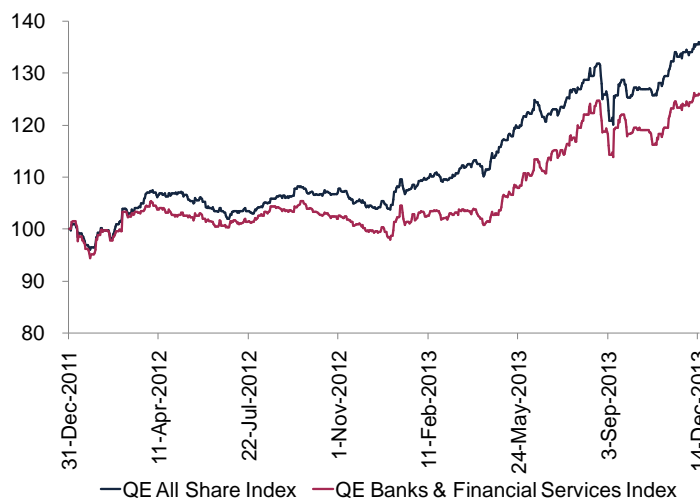
The banking sector's loan-to-deposit ratio (LDR) remained at 107% at the end of November 2013 vs. 107% in October 2013. *Going forward, some banks will be issuing Tier 1 bonds. Commercial Bank of Qatar (CBQK) and Doha Bank (DHBK) announced that they will be raising QR2 billion each in Tier 1 bonds to improve their capital adequacy ratios (CARs) as well as provide additional funds aiding loan book growth.*

Public sector deposits retreated by 5.0% MoM (+28.1% YTD), while private sector deposits gained by 3.7% MoM (+15.1% YTD). Delving into segment details, the government institutions segment (represents ~58% of public sector deposits) ticked up by 1.4% (+27.6 YTD) vs. a 4.9% decline in the previous month. However, the government segment retracted its positive momentum, contracting by 16.4% MoM but it is still up 44.1% YTD. The semi-government institutions segment followed in the footsteps of the government segment slipping by 4.2% MoM (+7.4% YTD). On the private sector front, the consumer segment expanded by 6.1% MoM (+23.0% YTD) and the companies and institutions segment ticked up by 1.2% MoM (+7.5% YTD).

The overall loan book exhibited flattish performance in the month of November. Total domestic public sector loans declined by 1.1% MoM after a robust performance in October. On a YTD basis, public sector loans are up 8.8%. The government segment loan book contracted by 7.6% MoM (+6.3% YTD). On the other hand, the government institutions' segment (represents ~66% of public sector loans) inched up by only 0.8% MoM (+12.1% YTD). *We believe public sector loan growth will be the primary driver of the overall loan book in 2014. Our assumption is based on the expected uptick in project mobilizations in the coming months.* Private sector loans inched up by 0.9% MoM (+12.2% YTD). The **Services** segment posted the biggest growth, up 9.9% MoM (+43.6% YTD), while the **Real Estate** (contributes ~28% to private sector loans) loan book retreated by 1.2% MoM (down 3.1% YTD). **Consumption and others** (contributes ~31% to private sector loans) declined 1.5% MoM (+13.5% YTD).

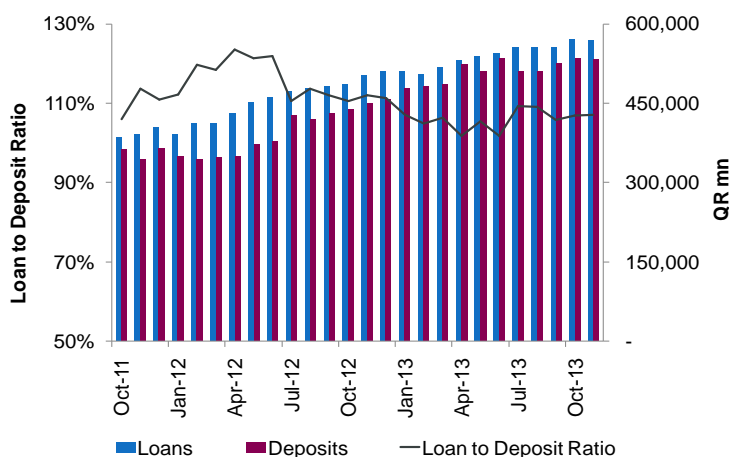
Specific loan-loss provisioning stood at 1.4% of average trailing 12-months loans vs. 1.4% in October 2013.

Banking Sector Index vs. QE All Share Index



Source: Bloomberg

Banking Sector - Loan to Deposit (LDR)



Source: Qatar Central Bank (QCB)

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Banking Sector – Key Stats

Banks	Closing Price	Change YTD (%)	EPS 2013E (QAR)	P/E 2013E (x)	P/B (x)	Dividend Yield 2013 (%)
QE Banks & Financial Services Index	2,486.03	27.53	N/A	N/A	2.0	4.3
Al Ahli Bank (ABQK)	56.00	14.29	4.1	13.7	2.1	5.4
Al Khalij Commercial Bank (KCBK)*	19.99	17.66	1.5	13.0	1.3	5.0
Commercial Bank of Qatar (CBQK)*	71.10	0.28	7.0	10.2	1.3	7.7
Doha Bank (DHBK)*	57.20	23.38	5.6	10.3	1.6	6.1
Masraf Al Rayan (MARK)*	33.75	36.14	2.2	15.2	2.5	3.3
Qatar International Islamic Bank (QIIK)*	60.70	16.73	4.8	12.6	1.8	5.8
Qatar Islamic Bank (QIBK)*	69.70	(7.07)	5.3	13.3	1.4	5.7
Qatar National Bank (QNBK)	173.90	32.85	13.7	12.7	2.4	3.2

Sources: QNBFS estimates (*), Bloomberg estimates and data

Banking Sector Indicators

(In QR mn)	2011	2012	1Q-13	2Q-13	3Q-13	Oct-13	Nov-13	Change MoM	Change YTD
Total Assets	694,301	820,512	848,293	878,862	883,767	912,835	902,851	-1.1%	10.0%
Total Credit (Loans)	403,563	510,048	517,690	543,834	555,975	571,053	570,494	-0.1%	11.9%
Total Deposits	363,612	458,066	486,662	534,802	525,953	534,087	533,265	-0.2%	16.4%
Loan to Deposit Ratio	111%	111%	106%	102%	106%	107%	107%		
Credit Facilities (Geographic)									
Total Domestic Credit	376,695	478,305	479,776	499,441	511,128	529,238	529,168	0.0%	10.6%
Total International Credit	26,867	31,743	37,914	44,394	44,848	41,815	41,326	-1.2%	30.2%
Domestic Credit Facilities - Public Sector									
Government	40,801	51,746	49,964	50,559	48,938	59,542	54,995	-7.6%	6.3%
Government Institutions	90,619	139,585	137,306	151,387	151,676	155,201	156,409	0.8%	12.1%
Semi-Government Institutions	17,750	27,222	20,004	24,323	24,474	25,517	26,319	3.1%	-3.3%
Total Domestic Public Sector Credit	149,170	218,553	207,274	226,269	225,088	240,260	237,723	-1.1%	8.8%
Domestic Credit Facilities - Private Sector									
General Trade	26,855	33,280	33,337	33,515	35,562	33,840	34,593	2.2%	3.9%
Industry	6,534	9,339	9,703	10,166	10,472	10,819	10,014	-7.4%	7.2%
Contractors	16,220	16,546	17,434	18,493	20,209	22,182	22,392	0.9%	35.3%
Real Estate	76,220	85,562	86,245	78,955	82,642	83,957	82,940	-1.2%	-3.1%
Consumption & Others	71,986	78,587	87,127	81,632	88,216	90,594	89,194	-1.5%	13.5%
Services	29,709	36,438	38,657	50,411	48,939	47,585	52,312	9.9%	43.6%
Total Domestic Private Sector Credit	227,525	259,752	272,502	273,172	286,039	288,978	291,446	0.9%	12.2%
Deposit Details (Geographic)									
Resident Deposits	343,777	417,337	444,944	494,432	497,800	506,325	503,935	-0.5%	20.8%
Non-resident Deposits	19,835	40,729	41,718	40,370	28,153	27,762	29,329	5.6%	-28.0%
Deposits - Public Sector (Domestic)									
Government	40,825	44,557	36,666	41,704	55,840	76,769	64,217	-16.4%	44.1%
Government Institutions	57,351	104,378	121,899	141,533	138,023	131,259	133,153	1.4%	27.6%
Semi Government Institutions	27,700	31,794	26,123	36,247	34,117	35,624	34,140	-4.2%	7.4%
Total Public Sector Deposit	125,876	180,729	184,688	219,484	227,979	243,652	231,510	-5.0%	28.1%
Deposits - Private Sector (Domestic)									
Personal	103,093	116,257	126,938	133,674	131,241	134,868	143,047	6.1%	23.0%
Companies & Institutions	114,809	120,350	133,317	141,274	138,579	127,806	129,379	1.2%	7.5%
Total Private Sector Deposit	217,902	236,607	260,255	274,948	269,820	262,674	272,426	3.7%	15.1%

Source: QCB

Qatar Exchange Monthly Performance							
Company Name	Price (Dec 26)	% Change 5-Day	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	172.70	(0.75)	31.93	120,843	13.1	2.4	3.5
Qatar Islamic Bank	69.00	(1.43)	(8.00)	16,304	15.1	1.4	5.4
Commercial Bank of Qatar	70.30	0.14	(0.85)	17,395	9.9	1.3	8.5
Doha Bank	58.00	0.17	25.10	14,986	10.2	1.7	7.2
Al Ahli Bank	56.00	0.00	14.29	7,116	13.7	2.1	5.4
Qatar International Islamic Bank	60.20	(0.33)	15.77	9,112	12.7	1.8	5.8
Masraf Al Rayan	31.95	(5.19)	28.88	23,963	14.3	2.4	3.1
Al Khaliji Bank	19.80	(0.85)	16.54	7,128	13.4	1.3	5.1
National Leasing	30.00	(2.60)	(33.63)	1,484	12.7	1.1	6.7
Dlala Holding	23.10	3.59	(25.68)	513	N/M	2.3	N/A
Qatar & Oman Investment	12.62	0.00	1.86	398	26.5	1.2	4.0
Islamic Holding Group	44.00	5.52	15.79	176	23.6	3.1	2.6
Banking and Financial Services				219,418			
Zad Holding	68.50	(1.15)	16.50	896	9.1	0.7	5.8
Qatar German Co. for Medical Devices	13.70	(4.86)	(7.31)	158	N/M	0.8	N/A
Salam International Investment	13.35	7.92	5.45	1,526	11.8	0.9	5.2
Medicare Group	52.60	(0.75)	47.34	1,480	24.1	1.9	3.4
Qatar Cinema & Film Distribution	40.20	(0.74)	(29.35)	230	30.7	1.7	5.0
Qatar Fuel	284.00	(1.39)	29.09	18,451	15.4	3.1	3.5
Qatar Meat and Livestock	53.40	(2.02)	(9.18)	961	16.0	3.9	7.5
Al Meera Consumer Goods	132.00	(0.38)	7.84	2,640	18.1	2.1	6.1
Consumer Goods and Services				26,343			
Qatar Industrial Manufacturing	50.40	(0.20)	(5.08)	1,996	9.5	1.5	6.0
Qatar National Cement	117.50	5.38	9.81	5,769	13.5	2.3	5.1
Industries Qatar	166.00	(0.90)	17.73	100,430	12.4	3.1	4.7
Qatari Investors Group	48.90	19.56	112.61	6,080	26.1	2.9	1.5
Qatar Electricity and Water	180.00	7.91	35.95	18,000	11.9	3.2	4.1
Mannai Corp.	90.00	2.97	11.11	4,106	8.9	1.8	5.3
Aamal	14.95	(6.03)	9.83	8,970	14.2	1.3	N/A
Gulf International Services	59.90	(2.12)	99.67	8,905	14.7	3.1	2.5
Industrials				154,256			
Qatar Insurance	65.60	(1.35)	21.59	8,425	10.3	1.7	3.1
Doha Insurance	25.15	(1.76)	2.46	647	11.5	1.3	3.6
Qatar General Insurance & Reinsurance	49.00	(1.01)	6.52	2,825	3.3	0.8	1.8
Al Khaleej Takaful Insurance	38.75	(0.13)	5.68	662	13.8	1.1	2.2
Qatar Islamic Insurance	57.00	(2.06)	(8.06)	855	13.4	3.1	6.1
Insurance				13,414			
United Development	22.51	(3.14)	26.46	7,591	9.3	0.7	4.4
Barwa Real Estate	30.05	(0.99)	9.47	11,693	17.1	0.9	5.0
Ezdan Real Estate	16.90	(2.03)	(7.14)	44,827	N/M	1.6	0.8
Mazaya Qatar Real Estate Development	11.42	(0.09)	3.82	1,142	17.3	1.1	5.3
Real Estate				65,253			
Qatar Telecom	137.00	(0.51)	31.73	43,884	16.6	1.8	3.6
Vodafone Qatar	11.08	(2.38)	32.69	9,367	N/M	1.6	N/A
Telecoms				53,251			
Qatar Navigation (Milaha)	84.20	(2.09)	33.44	9,643	9.9	0.8	4.5
Gulf Warehousing	41.00	(1.20)	22.39	1,950	19.6	2.5	N/A
Qatar Gas Transport (Nakilat)	20.42	(4.80)	33.81	11,435	15.0	3.2	4.9
Transportation				23,028			
Qatar Exchange				554,963			

Source: Bloomberg, * Trailing Twelve Months

This report is produced by QNB Group's Economics Team in collaboration with QNB Financial Services. Past issues are available online at <http://tinyurl.com/QatarMonitor>. For questions, or to receive it by email each month, please contact:

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